

Article - Estates and Trusts

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§15–204.

(a) Except as provided in subsection (b) of this section, if a check or other bill of exchange is drawn by a fiduciary or in the name of the fiduciary's principal by a fiduciary empowered to draw the instrument in the name of the principal, the payee is not bound to inquire whether the fiduciary is committing a breach of the obligation as fiduciary in drawing or delivering the instrument, and is not chargeable with notice that the fiduciary is committing a breach of the obligation as fiduciary unless the payee takes the instrument with actual knowledge of the breach or with knowledge of the facts that the action of the payee in taking the instrument amounts to bad faith.

(b) If an instrument is payable to a personal creditor of the fiduciary and delivered to the creditor in payment of or as security for a personal debt of the fiduciary to the actual knowledge of the creditor, for the personal benefit of the fiduciary, the creditor or other payee is liable to the principal if the fiduciary in fact commits a breach of the obligation as fiduciary in drawing or delivering the instrument.

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